UNIVERSITI PUTRA MALAYSIA

THE RELATIONSHIPS BETWEEN LEARNING ORGANIZATION DIMENSIONS AND PERFORMANCE AMONG MALAYSIAN PRIVATE INSTITUTIONS OF HIGHER LEARNING

NARESH KUMAR.

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By

NARESH KUMAR

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfilment of the Requirement for the Degree of Doctor of Philosophy

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DEDICATION

This dissertation is dedicated to:

My daughter, Mirsha,
for her patience, humor and cheer,
which gave me much joy to work progressively.

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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Chairman : Associate Professor Azizan Asmuni, PhD

Faculty : Educational Studies

Undoubtedly, today private colleges are mounting their effort to become a learning organization, which is believed to be the only solution to adapt to the new era. Indeed private enterprises have demonstrated how a learning organization can improve business performance. Thus, it seems reasonable for private higher learning institutions to apply the learning organization constructs to improve their institutional performance. Although the links between learning organization constructs and business performances have often been assumed, there are little empirical evidence to support this standpoint. Thus, this study was initiated to examine the relationships between learning organization dimensions, institutional characteristics and two perceived performance improvement measures, namely financial performance and knowledge performance among Malaysian private institutions of higher learning. The subjects were 238 private colleges throughout Malaysia. This study adopted the Dimensions of the Learning Organization Questionnaire (DLOQ) developed by Watkins and Marsick (1997) to measure the seven learning organization action imperatives, which are necessary to the development of a

learning culture. Additionally, two perceived performance improvement measures were also adopted from the DLOQ. Past studies together with this study have proved the validity and reliability of the DLOQ. Six institutional characteristics were employed in this study: age of the institute, number of full-time employees, institutional level of commitment to research productivity, effective teaching and learning, institutional/professional service, and community service.

Exploratory model building was used to develop four best models that maximized the perceived changes in financial and knowledge performance in relation to the seven learning organization dimensions and institutional characteristics. It was discovered that there were positive, somewhat high, and significant relationships between the seven dimensions of learning organization and the dependent variables, perceived financial and knowledge performance. Four of the dimensions demonstrated a strong relationship: continuous learning, team learning, embedded systems and providing leadership. The institutional characteristics that jointly affecting the private colleges performance were perceived level of institutional commitment to institutional/professional service and institutional level of commitment to effective teaching and learning. The findings of this study will facilitate human resource development practitioners by providing empirical information, which supports the concept of the learning organization and their positive influence on the financial and knowledge performance, particularly in the private higher education industry. Moreover, this study would fill the vacuum in the body of knowledge concerning the learning organization dimensions, institutional characteristics and performance improvement.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PERKAITAN ANTARA DIMENSI-DIMENSI ORGANISASI PEMBELAJARAN DAN PRESTASI DI KALANGAN INSTITUSI PENDIDIKAN SWASTA DI MALAYSIA

Oleh

NARESH KUMAR

Julai 2005

Pengerusi : Profesor Madya Azizan Asmuni, PhD

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Memang tidak boleh dinafikan bahawa pada masa kini, kolej swasta sedang berusaha tinggi untuk menjadi sebuah organisasi pembelajaran supaya mereka dapat menerap segala pembaharuan dalam dunia yang mencabar ini. Syarikat swasta telah menonjolkan prestasi yang baik dengan menjadi sebuah organisasi pembelajaran. Oleh yang demikian, institusi-institusi pendidikan tinggi swasta mampu berjaya apabila mereka berubah menjadi sebuah organisasi pembelajaran. Kajian-kajian lepas menunjukkan bahawa organisasi pembelajaran mampu meningkatkan prestasi dalam dunia perniagaan sekarang yang tidak stabil dan penuh dengan pelbagai cabaran. Walau bagaimanapun, kajian empirikal amat diperlukan untuk mengesan hubungan diantara dimensi-dimensi organisasi pembelajaran dan prestasi institutsi-institutsi pendidikan swasta. Kajian ini secara khusus meninjau dengan lebih mendalam kewujudan dimensi-dimensi organisasi pembelajaran dalam kolej swasta di Malaysia dan kesannya keatas prestasi institusi-institusi tersebut.

Secara keseluruhannya, tujuan kajian ini adalah untuk mengkaji hubungan di antara ciri-ciri institusi, dimensi-dimensi organisasi pembelajaran dan dua pengukuran perubahan prestasi yang berbentuk persepsi iaitu perubahan dalam kewangan dan perubahan dalam pengetahuan. Seramai 238 responden dari seluruh negara telah mengambil bahagian dalam kajian ini. Kajian ini telah menggunakan instrumen yang dibentuk oleh Watkins dan Marsick (1997) iaitu Soal Selidik Dimensi Organisasi Pembelajaran (DLOQ) untuk mengukur tujuh dimensi organisasi pembelajaran yang amat penting dalam mewujudkan suasana pembelajaran organisasi. Di samping itu, persepsi terhadap peningkatan kewangan dan pengetahuan juga diukur dengan menggunakan (DLOQ). Kajian-kajian lepas dan seterusnya kajian ini telah membuktikan bahawa DLOQ sebagai instrumen yang boleh dipercayai dan mempunyai kesahan yang amat tinggi. Enam ciri-ciri institusi yang dipilih untuk kajian ini adalah tempoh kewujudan institusi, bilangan staf sepenuh masa, darjah penglibatan institusi dalam penyelidikan, keberkesanan pengajaran dan pembelajaran, perkhidmatan institusi atau profesional, dan perkhidmatan kepada masyarakat.

Empat model telah dibentuk untuk menunjukkan persepsi perubahan terhadap kewangan dan pengetahuan yang dihubungkaitan dengan tujuh dimensi organisasi pembelajaran dan ciri-ciri institusi. Kajian ini menunujukkan bahawa terdapat hubungan yang signifikan diantara tujuh dimensi organisasi pembelajaran dan dua pembolehubah bersandar iaitu persepsi terhadap peningkatan kewangan dan pengetahuan. Empat dimensi yang menunjukkan hubungan yang kuat adalah peluang pembelajaran berterusan, pembelajaran kumpulan, sistem pemperolehan dan berkongsi pembelajaran, dan pembentukan kepimpinan strategik. Ciri-ciri institusi yang secara keseluruhannya mewujudkan kesan terhadap prestasi kolej swasta adalah darjah penglibatan institusi dalam menyediakan perkhidmatan profesional dan darjah penglibatan institusi terhadap keberkesanan pengajaran dan pembelajaran. Hasil kajian empirikal ini diharap dapat membantu individu yang terlibat dalam bidang pembangunan sumber manusia. Kajian ini juga menyokong konsep organisasi pembelajaran dan pengaruhnya terhadap peningkatan kewangan dan pengetahuan khususnya di sektor pendidikan tinggi swasta. Tambahan pula, kajian ini menambahkan pengetahuan dan memenuhi serba sedikit kekosongan yang wujud dalam literatur mengenai organisasi pembelajaran, ciri-ciri organisasi dan peningkatan prestasi.

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I certify that an Examination Committee met on 31st May 2005 to conduct the final examination of Naresh Kumar on his Doctor of Philosophy thesis entitled "The Relationship between Learning Organisation Dimensions and Performance among Malaysian Private Institutions of Higher Learning" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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This thesis submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfillment of the requirement for the degree of Doctor of Philosophy. The members of the Supervisory Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for questions and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Putra Malaysia or other institutions.

NARESH KUMAR

Date: 21 July 2005

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LIST OF ABBREVIATIONS

OPP	-	Outline Perspective Plan
NEP	-	New Economic Policy
NDP	-	National Development Policy
NVP	-	National Vision Policy
ICT	-	Information and communication technology
S&T	-	Science and technology
R&D	-	Research and development
HRD	-	Human Resource development
PHEIs	-	Private higher education institutions
DLOQ	-	Dimensions of the Learning Organization Questionnaire
NEAC	-	National Economic Action Council
ROB	-	Registrar of Business
ROC	-	Registrar of Companies
SPSS	-	Statistical Package for Social Science
LODs	-	Learning Organization Dimensions

CHAPTER I

INTRODUCTION

Malaysia Towards Knowledge Based-Economy

The knowledge required simply to manage a modern working environment are substantially more demanding as compared to past decades considering the demands for new ways of learning resulting of a global economy. "According to leading futurists and business leaders, we have clearly entered the *knowledge era*; the new economy is a knowledge economy" (Marquardt, 1996, p.6). Moreover in this twenty-first century, it appears to be an established fact that knowledge-based economy provides a means to sustain economic growth and competitiveness in the global arena. However, what exactly constitutes a knowledge-based economy is important to be highlighted at this point of discussion. At the most basic level, knowledge-based economy can be described as "one where the generation and utilization of knowledge contribute to a significant part in economic growth and wealth creation" (Malaysia, Government 2001, p.119-120). A knowledge-based economy is believed to have the following characteristics:

1. Have abundant resources. Unlike most resources that deplete when used, the knowledge input is ever expanding in tandem with technology and innovation.
2. No location barrier. Innovation in technology opens access to resources and markets all over the world, creating virtual market places and organizations. There will be increased mobility of workers and capital.

3. A highly educated labour force. The knowledge economy comprises a better-informed populace as the government invests more on human development. Workers contribute to ideas, skills and knowledge by using latest technology.
4. A high level of per capital wealth. Knowledge-based investments generate increasing returns to scale and therefore, more wealth for all.
5. Open cosmopolitan society attractive to global talent. There will be ample opportunities for locals to tap foreign knowledge and learn of best business practices, as world-class infrastructure will encourage foreign investment. The population will be willing to accept and put into practice new ideas and technologies and hence, local companies will become fit and fully equipped to face global challenges.
6. Well connected to other global knowledge nodes. Connectivity to the rest of the world and technology sharing as well as technology transformation will be made easy with the free flow of information with lower cost, and reliable infrastructure encourage information and technology sharing.
7. A shift from top-down hierarchical organizational structures to flatter shared-structures such as networks of semi-autonomous teams. IT development and communications technology will lead to better interaction among workers and there will be active involvement of workers in contributing ideas and decision-making.
8. Skills and knowledge are key assets. Skills and knowledge become the main assets for the economy to gain competitiveness.
9. Information and communications technologies (ICTs) are pillars of the knowledge-based economy. Access to networking is essential in acquiring

> and disseminating knowledge and the Internet is a key driver of ICT especially in the development of E- based activities, resulting in new approaches to doing things (Malaysia, Government, p.121).

Within the last three decades Malaysia has vigorously evolved from an economy primarily reliant on agriculture to an industrial based economy. Undoubtedly, the Outline Perspective Plan (OPP), Five-Year Plans, and the Annual Operating Plans anchor the rapid structural transformation of her economy. In fact the evolution of Malaysian development policies can be classified into the following major phases, namely, the New Economic Policy (NEP), the National Development Policy (NDP) and the National Vision Policy (NVP). In 1971, the introduction of the NEP under the first OPP (1971-1990) marks the first phase of Malaysian development. During a period of twenty years, socio-economic development was given greater priority in an attempt to create a more equitable distribution of wealth among the multiracial society. Thus the main objective of NEP was to eradicate poverty and restructure the multiracial society by eliminating the identification of race with economic functions.

The second OPP covering the period 1991 to 2000, which, led to the replacement of the NEP by the NDP, marked the second phase of Malaysian development. The NDP aims at achieving Malaysia's fourth prime minister; Dr Mahathir Mohamad's "Vision 2020", the vision to transform Malaysia into a fully developed and industrialized nation by the year 2020. At the same time, the NDP will maintain the primary goals of the NEP: poverty eradication and restructuring of society to ensure equitable distribution of income and reduction of racial imbalances in Malaysia. The third OPP, which embodied the NVP, was launched in 2001 to build upon the efforts initiated under the NEP and NDP. The NVP, which is to be implemented over a decade of 2001 to 2010 marks the third phase of Malaysian Development. Indeed one of the key thrusts under the NVP is to develop Malaysia into a knowledge-based economy by the year 2010. As stated in the third OPP:

> The knowledge-based economy will provide the platform to sustain a rapid rate of economy growth and enhance international competitiveness so as to achieve the objectives of Vision 2020. It will also strengthen Malaysia's capability to innovate; adapt and create indigenous technology; and design, develop and market new product, thereby providing the foundation for endogenously-driven growth (Malaysia, Government, p.119).

For the next decade, 2001-2010, Malaysia will certainly focus on strengthening the critical elements that support the development of the knowledge-based economy. The endeavor toward a knowledge-based economy will be fruitful if the private sectors continue to be the engine of growth while the public sectors smooth the progress by providing supporting milieu. Moreover, the positive attempt to transform Malaysia into a knowledge-based economy will assist in moving the entire nation closer to the fulfillment of Vision 2020 by the year 2020. Obviously, to develop a knowledge-based economy, rigorous efforts ought to be made while addressing the major trusts of knowledge-based economy development plans as laid out in the third OPP.

It is undeniable that the Malaysian government is devoting more resources to science and technology (S&T) and research and development (R&D), which is vital for human resource development (HRD). In fact, the importance of HRD has been realized and was given greater emphasis in the earlier and current Malaysian development policies (Malaysia, Government 2001; Pramanik, 1994). Additionally, it is apparent that the Malaysian government recognizes education and training as the integral components for HRD, which has been stressed in the Malaysian development policies since 1970. The priority given to education and training provides opportunities for academic pursuit and advancement of knowledge among Malaysian society. The supply of high quality knowledge workers is invariably the foremost concern of both public and private higher education institutions (PHEIs).

Since the Malaysian government has put more efforts to expand and improve education and training for nation building and at the same time the demand for higher education is accelerating, has resulted in the proliferation of PHEIs in Malaysia. Moreover PHEIs "is seen as more capable of producing the types of human resources needed in the country in view of the failure of public universities to do so" (Mei, 2002, p.12). In fact, Malaysia now relies heavily on PHEIs "to supplement and complement Government's efforts as well as to become the catalyst for developing education and training into an industry and foreign exchange earner"(Malaysia, Government, 2001, p.161). The increasing dynamic role played by the private colleges in the provision of education and training facilities will certainly help Malaysia in meeting the growing demands for qualified and skilled manpower. Private colleges not only equip individuals with the appropriate knowledge and skills but also help in developing a more efficient, resilient, disciplined and technically competent workforce that are essential for making Malaysia a fully developed nation by the year 2020. Undoubtedly, today private colleges are mounting their contribution in providing education and training at all levels while playing a vital role in human resource development of Malaysia. In addition, the increasing number of private colleges that offer tertiary and professional courses will supplement public higher education institutions efforts. Full participation of PHEIs will lead to economic development and the aim to make Malaysia a centre of excellence for education in the Asia Pacific region can be achieved.

The Malaysian Private Higher Education

The development of PHEIs in Malaysia has gone through a long journey, mainly with the intention to play a vital complementary role to national education vision. Malaysia's private colleges have existed and in progress way back in the early 1950s, nevertheless the early 1990s witnesses the rapid growth in terms of numbers and the wide spectrum of tertiary and professional level courses offered (Education guide Malaysia, 1997, 2003; Mei, 2002; Study in Malaysia Handbook, 2003,2004). The Malaysian government had encouraged the invention of private colleges in the course of twinning programs with a view to reduce the loss of foreign exchange caused by the proliferation of Malaysian students pursuing tertiary education in foreign countries (Mei, 2002). During the 1990s, "Malaysia's private higher education was fast becoming popular for its extensive links with university partners from the UK, USA, Australia, Canada and New Zealand" (Education guide Malaysia, 2003, p.290).

Since the Asian economic crisis in 1997, the Malaysian government has limited the financial support for those who are planning to study abroad although at that time the demand for tertiary education were rising. In the meantime the number of government-sponsored students sent abroad was reduced, in favor of public and PHEIs in Malaysia. Moreover parents who were financing their children to study abroad are not in a position to do so because "exit visas for private students were made more expensive and income tax rebates for parents supporting offshore students were cancelled" (Mei, 2002, p.12). Thus they have to recall their children from overseas institutions (Mei, 2002; Noran Fauziah & Ahmad Mahdzan, 1999). This further leads to a tremendous growth in PHEIs and consequently private colleges have formed more collaborative arrangement with either local or foreign universities to award certificates, diplomas, degrees or other professional qualifications for both local and foreign students.

Public higher learning institutions in Malaysia take in about 80,000 students per year to enroll in various tertiary level courses and yet the demand for tertiary level education from both Malaysian and foreign students are mounting (Study in Malaysia Handbook, 2003). Hence, in view of the lack of places in public higher learning institutions, the Malaysian government has been vigorously supporting the establishment of private colleges to provide an opportunity for those who were unable to gain entry into the public or foreign higher learning institutions to pursue tertiary or professional level courses leading to professional qualifications, and other diplomas and degrees. This has also been necessitated due to the objective of making Malaysia the center of educational excellence in the region and at the same time to make sure that adequate supply of knowledge workers are available to successfully transform Malaysia into a knowledge-based economy.

Over the past decades, measures were taken to greatly diversify and extend the Malaysian private higher education system. The goals were to achieve equal opportunities for students from all sections of the population and to offer a great variety of different learning opportunities to meet the increasing demand for new knowledge and skills. Today, private colleges in Malaysia have gained considerable recognition in the Asia Pacific region and accepted locally as a route for tertiary